



National Child Care Information Center

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Tiered Strategies: Quality Rating, Reimbursement, Licensing **November 2002**

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INTRODUCTION

States are giving increasing priority to enhancing the quality of child care services for children and families. Moreover, research shows the important positive effects that quality child care can have on children's emotional, social, and cognitive development, including fewer behavioral problems and better language development, which builds the foundation for early literacy, and improved school readiness. In the past, many States launched numerous focused and incremental initiatives to address various issues related to child care quality, but now more States are exploring approaches that have potential for systemwide improvements in services through tiered strategies.

Thirty-four States, including the District of Columbia, have implemented some form of a tiered strategy for improving child care quality. Seven of these States have initiated such a strategy in the past two years (2001-2002) and an additional four States are in various stages of considering or actively planning a tiered strategy for child care. Tiered strategies are called by various terms including *quality rating systems*, *tiered reimbursement* (or differential reimbursement), and *rated licensing* (or tiered licensing). States are also adopting a combination of these various approaches.

The overarching goal of the tiered strategy systems is to improve child care quality through systemwide improvements rather than through an incremental approach. Funding for these strategies and their support systems can be targeted from multiple sources such as the Child Care and Development Fund (CCDF), State child care subsidy and licensing resources, and Temporary Assistance for Needy Families (TANF) funds.

The following information includes definitions, goals, and characteristics for quality rating, tiered reimbursement, and rated license systems. Although there are commonalities within these systems, there are often differences due to the individualized needs of the States and the systems. As the number of States that have implemented these various systems—or a

combination of them—has grown, so have the different ways that States have designed their tiered strategies.

DEFINITIONS, GOALS, and CHARACTERISTICS

Quality Rating

One form of a tiered strategy is a quality rating system. This system is used as a child care consumer guide, and may be considered a “report card” for child care facilities. These quality ratings can stand alone without a tiered reimbursement rate or special category of licensure; therefore they may be used as a first step for States or communities planning to develop a tiered reimbursement or rated license system.

Goals and Characteristics of Quality Rating Systems

The major goals and characteristics of quality rating systems typically include the following:

- Each quality rating system requires compliance with State licensing as a baseline index of quality.
- The State or county has established a formal system of more than one level of quality, based on specified criteria that the State believes to be associated with improved child development, learning, and well-being.
- The quality rating system is an integral part of the State’s or the county’s consumer education or parent outreach activities. The system includes a way of informing parents about the rating of each provider, and thus about the quality of care.
- Accreditation by a national organization is a level of quality for child care centers and family child care homes.

Tiered Reimbursement

The most common form of tiered strategy is typically referred to as tiered reimbursement. In tiered reimbursement systems, States provide higher rates for child care centers and family child care homes that achieve one or more levels of quality beyond basic licensing requirements.

Some tiered reimbursement systems include only two levels: the first level generally ties its lower reimbursement rate to the provider meeting basic licensing requirements, while the second level provides a higher rate—typically a rate based primarily on achieving accreditation by a national organization.

However, a growing number of States are adopting tiered reimbursement strategies that involve more levels (or tiers) of quality criteria. For example, States may incorporate the criteria of staff training and credentialing, such as the proportion of staff who have received a Child Development Associate (CDA) or other approved credential. Other quality criteria include components such as staff-child ratios, director education and credentialing, staff compensation, learning environment, regulatory compliance, curriculum, parent involvement,

program evaluation, and accreditation. Several States include accreditation by a national organization, and additional quality criteria that must be met at that level.

Often in tiered reimbursement systems, any child care program may voluntarily choose to participate in the State's program, by choosing to meet the higher standards required by the tiered reimbursement system; however, only programs agreeing to provide subsidized child care are eligible to receive the differential reimbursement, although the quality of the child care services provided would be enhanced for all children served by the program.

Goals and Characteristics of Tiered Reimbursement

The major goals and characteristics of tiered reimbursement typically include the following:

- The purpose is to move subsidized child care to higher levels of quality.
- Each tiered strategy requires compliance with State licensing as a baseline index of quality.
- The State has established a formal system of more than one level of quality, based on specified criteria that the State believes to be associated with improved child development, learning, and well-being.
- The different rating levels are used for establishing reimbursement rates for child care centers and family child care homes.
- The tiered reimbursement is an integral part of the State's consumer education or parent outreach activities. The system includes a way of informing parents about the rating of each provider, and thus the quality of care.
- Accreditation by a national organization is a level of quality for child care centers and family child care homes. The following 31 States have linked differential reimbursement rates to child care programs that have achieved accreditation: Arizona, Arkansas, Colorado, Connecticut, District of Columbia, Florida, Georgia, Hawaii, Indiana, Kentucky, Louisiana*, Maine, Maryland, Minnesota, Mississippi,* Missouri, Montana, Nebraska, Nevada, New Jersey, New Mexico, New York, Ohio, Oklahoma, Pennsylvania,* South Carolina, Texas, Utah, Vermont, West Virginia, and Wisconsin. (Louisiana, Mississippi, and Pennsylvania do not currently include family child care in their tiered reimbursement program.) Additional information about the national accreditation organization that is part of the State's tiered system is available in the chart, "Tiered Reimbursement Systems: States with Systems to Pay Higher Reimbursement Rates to Programs That are Accredited and/or Meet Other Quality Standards" (June 2002), on the National Association for the Education of Young Children (NAEYC) Web site at http://www.naeyc.org/childrens_champions/criticalissues/accred-reimburse/chart1.asp.

Rated License

While rated licensing systems have elements in common with tiered reimbursement systems, their distinguishing characteristic is that they are an integral part of the State's licensing

system. This means that in a rated licensing system, the quality criteria are embedded in the State requirements for obtaining a child care license of a particular level. In a rated license system, the State provides a rating for all facilities. At this point in time, in their rated licensing programs, States have not included accreditation by a national organization. Again, a rated license is not tied to different funding levels, but is embedded in the licensing structure.

Goals and Characteristics of Rated License

The major goals and characteristics of rated license typically include the following:

- A rated license system requires compliance with State licensing as a baseline index of quality.
- The State has established a formal system of more than one level of quality, based on specified criteria that the State believes to be associated with improved child development, learning, and well-being.
- The different rating levels are used for establishing levels of licensing compliance for child care centers and family child care homes.
- The rated license system is an integral part of the State's consumer education or parent outreach activities. The system includes a way of informing parents about the rating of each provider, and thus about the quality of care.

METHODOLOGY

NCCIC contacted the Child Care and Development Fund (CCDF) State Administrators to verify our information about quality rating, tiered reimbursement, and rated license systems. States provided us with this information from July 2002 to September 2002.

The States included in the Table, "Tiered Strategies: Quality Rating, Reimbursement, Licensing," include systems that focused on care in the regulated arena and that met our definitions of quality rating systems, tiered reimbursement, and rated license, as described above. As a result, the following types of initiatives or efforts, although designed to increase quality care, are not included in the table:

- Initiatives that are not systemic, that focus on a piece of the system, such as a differential rate for additional training.
- Efforts related to moving kith and kin/informal care to regulated child care.

The *Table of State Tiered Strategies: Quality Rating, Reimbursement, Licensing Systems* is available on the NCCIC Web site at <http://nccic.org/faqs/tieredstrategiestable.html>.